



**ŞEKER MORTGAGE FİNANSMAN
ANONİM ŞİRKETİ**

Financial Statements
As At and For the Year Ended
31 December 2015
With Independent Auditors' Report

*“Convenience Translation to English of
Financial Statements
And Notes To The Financial Statements
Originally Issued In Turkish”*

24 February 2016

*This report consists of 2 pages of Independent
Auditors' Report and 48 pages financial statements
and related disclosures and footnotes.*



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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English

To the Board of Directors of Şeker Mortgage Finansman Anonim Şirketi,

Report on the Financial Statements

We have audited the accompanying statement of financial position of Şeker Mortgage Finansman Anonim Şirketi ("the Company") as at 31 December 2015, and the related statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Banking Regulation and Supervision Agency Accounting and Reporting Legislation which includes communiqués "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", circulars and, announcements and other regulations made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements.



The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that our audit provides a reasonable basis for our audit opinion.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Şeker Mortgage Finansman Anonim Şirketi as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.


Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative


Orhan Akova, SMMM
Partner
24 February 2016
Istanbul, Turkey



Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2015

(Currency: In Thousands of Turkish Lira (TL))

ASSETS	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. CASH AND CASH EQUIVALENTS	3	1	12,731	12,732	1	10,826	10,827
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH P/L (Net)	4	453,299	241	453,540	360,376	4,057	364,433
2.1 Financial assets held for trading		-	-	-	-	-	-
2.2 Financial assets at fair value through profit or loss	6	371,073	-	371,073	326,484	-	326,484
2.3 Derivative financial assets held for trading		82,226	241	82,467	33,892	4,057	37,949
III. BANKS	5	7,942	111,945	119,887	26,396	62,712	89,108
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)		-	-	-	-	-	-
VI. FINANCING LOANS	6	50,902	-	50,902	62,818	-	62,818
6.1 Consumer Loans		50,902	-	50,902	62,818	-	62,818
6.1.1 Credit Cards		-	-	-	-	-	-
6.1.2 Commercial Loans with Installments		-	-	-	-	-	-
VII. OTHER RECEIVABLES	11	888	4,956	5,844	795	75	870
VIII. RECEIVABLES AT FOLLOW UP	7	345	-	345	658	-	658
8.1 Financing Loans at Follow Up		522	-	522	831	-	831
8.2 Specific Provisions (-)		177	-	177	173	-	173
IX. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
9.1 Fair value hedges		-	-	-	-	-	-
9.2 Cash flow hedges		-	-	-	-	-	-
9.3 Net foreign investment hedges		-	-	-	-	-	-
X. INVESTMENT SECURITIES HELD TO MATURITY (Net)		-	-	-	-	-	-
XI. INVESTMENTS IN ASSOCIATES (Net)		-	-	-	-	-	-
XII. INVESTMENTS IN SUBSIDIARIES (Net)		-	-	-	-	-	-
XIII. INVESTMENTS IN JOINT-VENTURES (Net)		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	8	37	-	37	54	-	54
XV. INTANGIBLE ASSETS (Net)	9	467	-	467	635	-	635
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		467	-	467	635	-	635
XVI. PREPAID EXPENSES	11	126	1,163	1,289	205	982	1,187
XVII. TAX ASSET OF CURRENT PERIOD		620	-	620	369	-	369
XVIII. DEFERRED TAX ASSET	10	655	-	655	-	-	-
XIX. OTHER ASSETS		4	-	4	14	-	14
SUBTOTAL		515,286	131,036	646,322	452,321	78,652	530,973
XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
17.1 Assets held for sale		-	-	-	-	-	-
17.2 Assets of discontinued operations		-	-	-	-	-	-
TOTAL ASSETS		515,286	131,036	646,322	452,321	78,652	530,973

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2015

(Currency: In Thousands of Turkish Lira (TL))

LIABILITIES	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	12	-	759	759	-	125	125
II. BORROWINGS	13	-	509,577	509,577	-	430,153	430,153
III. FACTORING PAYABLES		-	-	-	-	-	-
IV. LEASING PAYABLES		-	-	-	-	-	-
4.1 Financial Leasing Payables		-	-	-	-	-	-
4.2 Operating Leasing Payables		-	-	-	-	-	-
4.3 Other		-	-	-	-	-	-
4.4 Deferred Financial Leasing Payables		-	-	-	-	-	-
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonos		-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES	14	235	85,257	85,492	127	39,556	39,683
VII. OTHER LIABILITIES		50	-	50	183	-	183
VIII. MANAGEMENT		-	-	-	-	-	-
8.1 Fair value hedges		-	-	-	-	-	-
8.2 Cash flow hedges		-	-	-	-	-	-
8.3 Net foreign investment hedges		-	-	-	-	-	-
IX. TAXES	16	183	-	183	166	-	166
X. PROVISIONS	17	1,869	-	1,869	2,164	-	2,164
10.1 Restructuring reserves		-	-	-	-	-	-
10.2 Reserve for employee benefits	17.1	232	-	232	193	-	193
10.3 Other provisions	17.2	1,637	-	1,637	1,971	-	1,971
XI. DEFERRED INCOME	15	525	-	525	737	-	737
XII. TAX LIABILITY OF CURRENT PERIOD		-	-	-	-	-	-
XIII. DEFERRED TAX LIABILITY	10	-	-	-	1,435	-	1,435
XIV. SUBORDINATED LOANS	13	23,603	-	23,603	23,593	-	23,593
SUBTOTAL		26,465	595,593	622,058	28,405	469,834	498,239
XV. LIABILITIES FOR ASSETS HELD FOR SALE AND LIABILITIES OF DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
15.1 Held for sale		-	-	-	-	-	-
15.2 Discontinued operations		-	-	-	-	-	-
XVI. EQUITY		24,264	-	24,264	32,734	-	32,734
16.1 Paid-in capital	18.1	26,000	-	26,000	26,000	-	26,000
16.2 Capital reserves		-	-	-	-	-	-
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		-	-	-	-	-	-
16.3. Other comprehensive income non- reclassified to profit or loss		33	-	33	24	-	24
16.4. Other comprehensive income reclassified to profit or loss		-	-	-	-	-	-
16.5 Profit reserves	18	6,710	-	6,710	508	-	508
16.5.1 Legal reserves		614	-	614	304	-	304
16.5.2 Status reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		6,096	-	6,096	204	-	204
16.5.4 Other profit reserves		-	-	-	-	-	-
16.6 Profit or loss		(8,479)	-	(8,479)	6,202	-	6,202
16.6.1 Retained Earnings/(Accumulated losses)		-	-	-	-	-	-
16.6.2 Current period net profit/loss		(8,479)	-	(8,479)	6,202	-	6,202
TOTAL LIABILITIES		50,729	595,593	646,322	61,139	469,834	530,973

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ
STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2015

(Currency: In Thousands of Turkish Lira (TL))

OFF-BALANCE SHEET ITEMS	Notes	Audited 31 December 2015			Audited 31 December 2014		
		TL	FC	Total	TL	FC	Total
I. RISK-BEARING FINANCING ACTIVITIES		-	-	-	-	-	-
II. NON RISK-BEARING FINANCING ACTIVITIES		-	-	-	-	-	-
III. COLLATERALS RECEIVED	26.1	830,655	-	830,655	572,669	-	572,669
IV. COLLATERALS GIVEN	26.2	333,029	4,322	337,351	346,555	-	346,555
V. COMMITMENTS		627	-	627	1,896	-	1,896
5.1 Irrevocable commitments		57	-	57	57	-	57
5.2 Revocable commitments		570	-	570	1,839	-	1,839
5.2.1 Lease commitments		-	-	-	-	-	-
5.2.1.1 Finance lease commitments		-	-	-	-	-	-
5.2.1.2 Operating lease commitments		-	-	-	-	-	-
5.2.2 Other revocable commitments		570	-	570	1,839	-	1,839
VI. DERIVATIVE FINANCIAL INSTRUMENTS		384,529	461,916	846,445	358,812	393,663	752,475
6.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
6.1.1 Fair value hedges		-	-	-	-	-	-
6.1.2 Cash flow hedges		-	-	-	-	-	-
6.1.3 Net foreign investment hedges		-	-	-	-	-	-
6.2 Trading derivatives		384,529	461,916	846,445	358,812	393,663	752,475
6.2.1 Forward foreign currency purchases/sales		-	-	-	-	-	-
6.2.2 Currency and interest rate swaps purchases/sales	26.3	384,529	461,916	846,445	358,812	393,663	752,475
6.2.3 Currency, interest rate and security options purchases/sales		-	-	-	-	-	-
6.2.4 Currency futures purchases/sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
VII. CUSTODY AND PLEDGED ITEMS		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS		1,548,840	466,238	2,015,078	1,279,932	393,663	1,673,595

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency: In Thousands of Turkish Lira (TL))

INCOME AND EXPENSE ITEMS	Notes	Audited Current Period (01.01.2015 - 31.12.2015)	Audited Prior Period (01.01.2014 - 31.12.2014)
I. OPERATING INCOME		35,586	53,516
I.2. INCOME FROM FINANCING LOANS	19	35,586	53,516
1.2.1 Interest income from financing loans		33,457	49,369
1.2.2 Fees and commissions received from financing loans		2,129	4,147
I.3 INCOME FROM LEASING		-	-
1.3.1 Financial leasing income		-	-
1.3.2 Operating Leasing income		-	-
1.3.3 Fees and commissions from leasing		-	-
II. FINANCIAL EXPENSES (-)		(12,964)	(10,967)
2.1. Interest on borrowings		(4,667)	(4,280)
2.2. Interest on factoring payables		-	-
2.3. Finance lease expenses		-	-
2.4. Interest on shares issued		-	-
2.5. Other interest expenses		(1)	(28)
2.6. Fees and commissions paid		(8,296)	(6,659)
III. Gross (I-II)		22,622	42,549
IV. OPERATING EXPENSES (-)	20	(8,789)	(11,483)
4.1. Personnel Expenses	20.1	(3,774)	(4,060)
4.2. Reserve for employee termination benefits		(46)	(37)
4.3. Development and Research Expenses		-	-
4.4. General administrative expenses	20.2	(4,969)	(7,386)
4.5. Others		-	-
V. GROSS OPERATING EXPENSES		13,833	31,066
VI. OTHER OPERATING INCOME	21	118,963	72,187
6.1 Interest income from bank loans		3,868	2,267
6.2 Interest income from reverse repurchase agreements		-	-
6.3 Interest income from securities		-	-
6.3.1 Trading securities		-	-
6.3.2 Financial assets at fair value through profit or loss		-	-
6.3.3 Financial assets available-for-sale		-	-
6.3.4 Investment securities held-to-maturity		-	-
6.4 Dividend Income		-	-
6.5 Trading account income		92,442	31,437
6.5.1 Derivative financial instruments		92,442	31,437
6.5.2 Others		-	-
6.6 Foreign exchange gain		22,215	38,198
6.7 Others		438	285
VII. PROVISIONS FOR RECEIVABLES AT FOLLOW-UP		(773)	(555)
VIII. OTHER OPERATING EXPENSE (-)	22	(142,593)	(94,955)
8.1. Impairment losses on securities		-	-
8.1.1. Impairment losses on financial assets at fair value through profit/loss		-	-
8.1.2. Impairment losses on financial assets available-for -sale		-	-
8.1.3. Impairment losses on investment securities held-to-maturity		-	-
8.2 Impairment losses on non-current assets		-	-
8.2.1 Impairment losses on tangible assets		-	-
8.2.2 Impairment losses assets held for sale and assets of discontinued operations		-	-
8.2.3 Impairment losses on goodwill		-	-
8.2.4 Impairment losses on other intangible assets		-	-
8.2.5 Impairment losses on associates, subsidiaries and joint-ventures		-	-
8.3. Loss on derivative financial instruments, Net		(23,010)	(26,007)
8.4. Foreign exchange loss, Net		(119,583)	(68,538)
8.5. Others		-	(410)
IX. NET OPERATING PROFIT/LOSS (I+...+VI)		(10,570)	7,743
X. INCOME SURPLUS AFTER MERGER OPERATIONS		-	-
XI. NET MONETARY POSITION PROFIT/LOSS		-	-
XII. OPERATING PROFIT/LOSS BEFORE TAX (VII+VIII+IX)		(10,570)	7,743
XIII. OPERATING TAX PROVISION (±)	23	2,091	(1,541)
13.1 Current tax provision		-	-
13.2 Deferred tax expense effect (+)		(10,354)	(6,095)
13.3 Deferred tax income effect(-)		12,445	4,554
XIV. OPERATING PROFIT/LOSS (X±XII)		(8,479)	6,202
XV. INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1 Income from assets held for sale		-	-
15.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
15.3 Others		-	-
XVI. EXPENSES ON DISCONTINUED OPERATIONS (-)		-	-
16.1 Expense on assets held for sale		-	-
16.2 Loss on sale of associates, subsidiaries and joint-ventures		-	-
16.3 Others		-	-
XVII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIII-XIV)		-	-
XVIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
18.1 Current tax expense		-	-
18.2 Deferred tax expense		-	-
18.3 Deferred tax income		-	-
XIX. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XV±XVI)		-	-
XX. NET PROFIT/LOSS (XII+XVII)		(8,479)	6,202

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

(Currency: In Thousands of Turkish Lira (TL))

RECOGNIZED INCOME AND EXPENSE ITEMS UNDER EQUITY	Reviewed	Reviewed
	01.01.2015-31.12.2015	01.01.2014-31.12.2014
I. CURRENT PERIOD PROFIT/LOSS	(8,479)	6,202
II. OTHER COMPREHENSIVE INCOME	9	11
2.1 Items that will not be Reclassified to Profit or Loss	9	11
2.1.1 Tangible Assets Revaluation Increases/Decreases	-	-
2.1.2 Intangible Assets Revaluation Increases/Decreases	-	-
2.1.3 Employee Benefits Re-Measuring Loss/Income	11	14
2.1.4 Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.1.5 Taxes related with Comprehensive Income that will not be Reclassified to Profit or Loss	-	-
2.1.5.1 Current Tax Income/Expense	-	-
2.1.5.2 Deferred Tax Income/Expense	(2)	(3)
2.2 Items that may be Reclassified subsequently to Profit or Loss	-	-
2.2.1 Foreign Exchange Differences for Foreign Currency Transactions	-	-
2.2.2 Value Increases or Decreases on Assets Held for Sales	-	-
2.2.3 Cash Flow Hedge Income/Losses	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-
2.2.5 Other Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
2.2.6 Taxes related with Comprehensive Income that may be Reclassified subsequently to Profit or Loss	-	-
2.2.6.1 Current Tax Income/Expense	-	-
2.2.6.2 Deferred Tax Income/Expense	-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	(8,470)	6,213

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015
(Currency: In Thousands of Turkish Lira (TL))

CHANGES IN EQUITY		Paid-in Capital Capital Reserves Share Premium Share Cancellation Profits Other Capital Reserves					Other Accumulated Comprehensive Income that will be reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves		Statutory Reserves	Extraordinary Reserves	Profit Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Net Current Period Profit/Loss	Total Equity
							1	2	3	4	5	6	Reserves	Legal Reserves							
Prior Period 31.12.2014																					
I.	Balance at the Beginning of the Period	26,000	-	-	-	-	13	-	-	-	-	349	296	-	53	-	159	159	-	26,521	
II.	Correction Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New Balance (I+II)	26,000	-	-	-	-	13	-	-	-	-	349	296	-	53	-	159	159	-	26,521	
IV.	Total Comprehensive Income	-	-	-	-	-	11	-	-	-	-	-	-	-	-	-	-	-	-	11	
V.	Cash Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase from internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in-Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increases / Decreases due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,202	-	6,202	6,202	
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	159	8	-	151	-	(159)	(159)	-	-	
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	159	8	-	151	-	(159)	(159)	-	-	
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (31.12.2014)		26,000	-	-	-	-	24	-	-	-	-	508	304	-	204	-	-	-	6,202	32,734	
Current Period 31.12.2015																					
I.	Balance at the Beginning of the Period	26,000	-	-	-	-	24	-	-	-	-	508	304	-	204	-	6,202	-	6,202	32,734	
II.	Correction Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New Balance (I+II)	26,000	-	-	-	-	24	-	-	-	-	508	304	-	204	-	6,202	-	6,202	32,734	
IV.	Total Comprehensive Income	-	-	-	-	-	9	-	-	-	-	-	-	-	-	-	-	-	-	9	
V.	Cash Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase from internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in-Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increases / Decreases due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,479)	-	(8,479)	(8,479)	
XII.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	6,202	310	-	5,892	-	(6,202)	-	(6,202)	-	
12.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	6,202	310	-	5,892	-	(6,202)	-	(6,202)	-	
12.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period 31.12.2015		26,000	-	-	-	-	33	-	-	-	-	6,710	614	-	6,096	-	(8,479)	-	(8,479)	24,264	

- 1, Revaluation increase/decrease of property and equipment.
- 2, Employee benefits re-measuring income/loss.
- 3, Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
- 4, Foreign currency translation differences for foreign operations.
- 5, Net change in fair value of available-for-sale financial assets.
- 6, Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency: In Thousands of Turkish Lira (TL))

STATEMENT OF CASH FLOWS	<i>Notes</i>	Audited (01.01.2015 - 31.12.2015)	Audited (01.01.2014 - 31.12.2014)
A. CASH FLOWS FROM OPERATIONS			
1.1 Operating profit/(loss) before changes in operating assets and liabilities		58,627	3,978
1.1.1 Interests received		47,450	34,566
1.1.2 Lease Expenses		(105)	(190)
1.1.3 Dividends received		-	-
1.1.4 Fees and commissions received		2,090	4,082
1.1.5 Other income		56	170
1.1.6 Collection from previously written-off loans and other receivables		383	115
1.1.7 Payments to personnel and service suppliers		(9,018)	(9,743)
1.1.8 Taxes paid		(622)	(369)
1.1.9 Others		18,393	(24,653)
1.2 Changes in operating assets and liabilities		(28,251)	19,110
1.2.1 Net (increase) decrease in financing loans		(42,878)	(128,460)
1.2.2 Net (increase) decrease in other assets		(6,245)	59,673
1.2.3 Net (increase) decrease in borrowings		(23,784)	81,970
1.2.4 Net (increase) decrease in matured payables		-	-
1.2.5 Net (increase) decrease in other liabilities		44,656	5,927
I. Net cash (used in)/provided from operations		30,376	23,088
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets	8, 9	(85)	(174)
2.4 Sales of tangible assets		-	-
2.5 Cash paid for purchase of financial assets available-for-sale		-	-
2.6 Cash obtained from sale of financial assets available-for-sale		-	-
2.7 Cash paid for purchase of investment securities held-to-maturity		-	-
2.8 Cash obtained from sale of investments held-to-maturity		-	-
2.9 Others		-	-
II. Net cash used in investing activities		(85)	(174)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Others		-	-
III. Net cash (used in)/provided from financing activities		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		67	-
V. Net increase/(decrease) in cash and cash equivalents		30,358	22,914
VI. Cash and cash equivalents at the beginning of period		88,141	65,227
VII. Cash and cash equivalents at the end of period	2.2.19	118,499	88,141

The accompanying notes are an integral part of these financial statements.

ŞEKER MORTGAGE FİNANSMAN ANONİM ŞİRKETİ
STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2015
(Currency: In Thousands of Turkish Lira (TL))

Profit Distribution	Notes	31 December 2015 (*)	31 December 2014
I. DISTRIBUTION OF CURRENT PERIOD PROFIT			
1.1 CURRENT PERIOD PROFIT		(10,570)	7,743
1.2 TAXES AND DUES PAYABLE (-)		2,091	(1,541)
1.2.1 Corporate Tax (Income Tax)		-	-
1.2.2 Withholding Tax		-	-
1.2.3 Other taxes and dues		2,091	(1,541)
A. NET PERIOD PROFIT/LOSS (1.1 - 1.2)		(8,479)	6,202
1.3 PRIOR YEARS' LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVE (-)		-	(310)
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)		-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]		-	5,892
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1 To Owners of Ordinary Shares		-	-
1.6.2 To Owners of Preferred Stocks		-	-
1.6.3 To Owners of Preferred Stocks (Preemptive Rights)		-	-
1.6.4 To Profit Sharing Bonds		-	-
1.6.5 To Owners of the profit /loss Sharing Certificates		-	-
1.7 DIVIDEND TO PERSONNEL (-)		-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)		-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1 To Owners of Ordinary Shares		-	-
1.9.2 To Owners of Preferred Stocks		-	-
1.9.3 To Owners of Preferred Stocks (Preemptive Rights)		-	-
1.9.4 To Profit Sharing Bonds		-	-
1.9.5 To Owners of the profit /loss Sharing Certificates		-	-
1.10 SECOND LEGAL RESERVE (-)		-	-
1.11 STATUS RESERVES (-)		-	-
1.12 EXTRAORDINARY RESERVES		-	5,892
1.13 OTHER RESERVES		-	-
1.14 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES			
2.1 DISTRIBUTED RESERVES		-	-
2.2 SECOND LEGAL RESERVES (-)		-	-
2.3 SHARE TO SHAREHOLDERS (-)		-	-
2.3.1 To Owners of Ordinary Shares		-	-
2.3.2 To Owners of Preferred Stocks		-	-
2.3.3 To Owners of Preferred Stocks (Preemptive Rights)		-	-
2.3.4 To Profit Sharing Bonds		-	-
2.3.5 To Owners of the profit /loss Sharing Certificates		-	-
2.4 SHARE TO PERSONNEL (-)		-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF STOCKS (TRY)		(0.326)	-
3.2 TO OWNERS OF STOCKS (%)		(32.610)	-
3.3 TO OWNERS OF PREFERRED STOCKS (TRY)		-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)		-	-
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF STOCKS (TRY)		-	-
4.2 TO OWNERS OF STOCKS (%)		-	-
4.3 TO OWNERS OF PREFERRED STOCKS (TRY)		-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)		-	-

(*) Resolution regarding profit distribution will be decided at the General Assembly Meeting.

The accompanying notes are an integral part of these financial statements.

Şeker Mortgage Finansman Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)

1 ORGANIZATION AND NATURE OF OPERATIONS

Şeker Mortgage Finansman A.Ş. (“the Company”) was established on 9 January 2008 under the title of “İstanbul Finansman Anonim Şirketi” after obtaining establishment license from Banking Regulation and Supervision Agency (“BRSA”) in November 2007 with the related Decree No: 90 ‘Regulation on Lending Transactions’ on 30 September 1983, and within the framework of other Laws, Decrees and Regulations related to Banking Law No: 5411 in order to operate as a consumer finance company. The Company’s financial activities were deemed appropriate in accordance with Article 7 of the Regulation on Leasing, Factoring and Financing Companies Establishment and Operations based on Banking Regulation and Supervision Board decision No: 2715 on 24 July 2010. The main purpose and business area of the Company is to provide financing to consumers by crediting for procurement of all kinds of goods and services in accordance with the related regulations. The Company operates in the field of housing finance within the framework.

The Company changed its title as ‘İstanbul Mortgage Finansman A.Ş.’ with the Board of Directors decision on 31 July 2008. Title change was registered by İstanbul Trade Registry Office on 8 August 2008 and published on the Trade Registry Gazette with numbered 7138 on 29 August 2008. The Company converted its title to ‘Şeker Mortgage Finansman A.Ş.’ with the Board of Directors decision on 14 October 2010. Title change was registered by İstanbul Trade Registry Office on 20 October 2008 and published on the Trade Registry Gazette with numbered 7677 on 26 October 2010.

Share transfer negotiations between the Company’s main shareholder İpotek Financing S.A (domiciled in Luxembourg) and Şekerbank T.A.Ş. approved by BRSA with the letter numbered 19805 on 22 September 2010, was resulted on 21 December 2010. Şekerbank T.A.Ş. has taken over 10.200.000 units of stocks which makes up 51% of the Company’s shares belonging to İpotek Financing S.A. with the transfer share agreement.

The Company’s marketing, sales, financing and lending activities were started by the campaign began on 20 April 2011 and carried out with the Şekerbank T.A.Ş. by the permission which given to Şekerbank T.A.Ş. based on the BRSA’s decision no: 3993 on 31 December 2010 and published on the Official Gazette numbered 27803 (5.Repeating) and relation to introduction of the Company’s products through branches and alternative distribution channels.

The Company’s primary objective is to operate in the field of housing finance.

The Company registered at the following address:

Barbaros Bulvarı No: 149 Kat: 7 Balmumcu, İstanbul/Türkiye

The shareholder structure of the Company is as follows:

	31 December 2015	31 December 2014
	Share (%)	Share (%)
Şekerbank T.A.Ş.	62	62
İpotek Financing S.A.	38	38
Şeker Yatırım Menkul Değerler AŞ	<1	<1
Şeker Finansal Kiralama AŞ	<1	<1
Şeker Faktoring AŞ	<1	<1
Total	100	100

The number of personnel of the Company is 29 as at 31 December 2015 (31 December 2014: 33).

Şeker Mortgage Finansman Anonim Şirketi
Notes to the Financial Statements
As At and For The Year Ended 31 December 2015
(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting Principles

The Company prepared accompanying financial statements in accordance with the “Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies” and the “Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public” published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards and Turkish Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Institute (POA) and other regulations, communiqués, and circulars (all of them referred to “Reporting Standards”) announced by BRSA in respect of accounting and financial reporting.

The Company’s financial statements as of and for the year ended 31 December 2015 have been approved by the Board of Directors on 24 February 2016. The General Assembly has the power to amend the financial statements after their issue.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying condensed interim financial statements. Accordingly, the accompanying condensed interim financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2.1.2 Functional and presentation currency

The presentation and functional currency of the Company is TL.

2.1.3 Change in accounting policies

Changes in accounting policies are applied retrospectively and the prior year financial statements are restated. There is no change in the accounting policies.

2.1.4 Accounting Estimates

The preparation of financial statements in conformity with ‘Reporting Standards’ requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Accounting estimates mainly used are presented in the following note:

Note 4 – Financial assets at fair value through profit or loss

Şeker Mortgage Finansman Anonim Şirketi

Notes to the Financial Statements

As At and For The Year Ended 31 December 2015

(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

2.1.5 New standards and interpretations adopted as at 31 December 2015

The standards and interpretations adopted in 2015.

The Company applied all of the relevant and required standards and interpretations of TAS/IFRS as at 31 December 2015.

Standards and interpretations not yet issued as at 31 December 2015

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 31 December 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below;

Standards issued but not yet effective and not early adopted

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Şeker Mortgage Finansman Anonim Şirketi

Notes to the Financial Statements

As At and For The Year Ended 31 December 2015

(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

2.1.5 New standards and interpretations adopted as at 31 December 2015 (continued)

Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to TFRSs – 2012–2014 Cycle

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal Company) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 Financial Instruments: Disclosures

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7)*.

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

2.1.5 New standards and interpretations adopted as at 31 December 2015 (continued)

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2.2 Summary of significant accounting policies

2.2.1 Offsetting

Financial assets and liabilities are offset and net amount is reported in the balance sheet when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.2.2 Interest income and expenses

Total interest income / expense arising from financial loans measured at fair value through profit or loss are accounted on interest income from financing loans. Other income and expenses are accounted on an accrual basis by using the effective interest rate method.

2.2.3 Fee and commissions income and expenses

Fees and commissions received and paid, and other fees and commissions paid to financial institutions are calculated according to either on an accrual basis of accounting or by using effective interest rate method depending on nature of fees and commissions, incomes derived from agreements and asset purchases from third parties are recognized as income when realized.

Şeker Mortgage Finansman Anonim Şirketi
Notes to the Financial Statements
As At and For The Year Ended 31 December 2015
(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Summary of significant accounting policies (continued)

2.2.4 Tangible assets

Tangible assets are carried at acquisition cost less accumulated depreciation and impairment losses.

Subsequent expenditure

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and maintenance and repair costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in the statement of profit or loss as an expense as incurred.

Depreciation

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis over the cost. Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis.

The estimated useful lives of tangible assets are as follows:

	(Years)
Furniture and Fixtures	4-10
Leasehold improvements	5

Expenditure incurred to replace a component of an item of tangible assets is capitalized and depreciated over the remaining life of related assets. Gain or loss on disposal of tangible assets is recorded as other income or other expenses, respectively.

2.2.5 Intangible assets

Intangible assets comprise software and rights. Intangible assets are carried at acquisition cost less accumulated amortization and impairment losses.

Amortization rate used for licenses is 7% and for software products is 33%, annually.

2.2.6 Borrowing costs

All borrowing costs are recognized in the statement of profit or loss in the period they occur.

2.2.7 Financial instruments

Financial instruments are composed of cash and cash equivalents, financing loans, borrowings and other receivables and payables.

Cash and equivalents

Cash and cash equivalents comprise cash and balances with banks with an original maturity of three months or less. Cash and cash equivalents are short term and highly liquid assets which can easily be converted into cash, with an original maturity of maximum three months and without carrying an insignificant risk of impairment. Balances with banks are recognized at their acquisition costs and measured at their amortized cost by using effective interest rate method.

Şeker Mortgage Finansman Anonim Şirketi
Notes to the Financial Statements
As At and For The Year Ended 31 December 2015
(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS *(continued)*

2.2 Summary of significant accounting policies *(continued)*

2.2.7 Financial instruments *(continued)*

Financial Assets at Fair Value Through Profit and Loss (Financing Loans)

The Company is funding its growing long term and fixed interest rate loan portfolio through long term floating interest rate foreign currency resources provided from international markets. The Company transforms the foreign currency liquidity which is created by funds provided from international markets to TL liquidity through long term swap contracts, as a result of this situation the Company can both provide TL fund for the long term fixed rate loans and provide protection against interest rate risk.

The Company reflects swaps, used through funding long term and fixed interest rate TL loan portfolio, with fair value in the financial statements. The Company has initially classified these long terms and fixed interest rate TL loan portfolio funded through swaps as “financial assets at fair value through profit and loss” and measures them at fair value in the financial statements. TL 371,073 of the mortgage loans amounts are classified under the account of financial asset at fair value through profit and loss (31 December 2014: TL 326,484).

Financing Loans

The financing loans given to customers other than those recognized under financial assets at fair value through profit or loss category are classified as consumer loans and recognized initially at their fair value less transaction costs. Subsequent to initial recognition financing loans are measured at their amortized cost by using effective interest rate method less impairment losses, if any.

Borrowings

Borrowings are recognized at their acquisition cost less transaction costs. Subsequent to initial recognition, borrowings are measured at their amortized cost by using effective interest rate method. The difference between the amortized amount and the cost less transaction costs is recorded as financial expense in the statement of profit or loss during the borrowing period.

Impairment of financial assets

The Company evaluates whether there exists objective evidence of impairment on a financial asset or on a group of financial assets in each reporting period. If there exists such an indicator, the Company determines the amount of the impairment.

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

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2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Summary of significant accounting policies (continued)

2.2.7 Financial instruments (continued)

Provision for financial loans are recognized as an expense and written off against the profit for the year. Provision for non-performing receivables is allocated assessing the Company's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current financial loans. In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861, the Company's specific provision rate allocated for the below finance lease receivables considering their collaterals are as follows: 20%, at a minimum, for finance lease receivables overdue more than 90 days not exceeding 180 days, 50%, at a minimum, for finance lease receivables overdue more than 180 days not exceeding 365 days; and 100%, at a minimum, for finance lease receivables overdue more than 1 year.

Other receivables and payables

Other receivables and payables are recognized over the effective interest rate method.

Recognition and Derecognition

The financial assets and liabilities are recognized in the balance sheet when the Company becomes a contractual party of a contract. A financial asset is fully or partially derecognized when the control over the contractual rights that comprise that asset is lost. A financial liability is derecognized when it is redeemed, cancelled or expired.

2.2.8 Forwards, options and other derivative transactions

Derivative transactions are classified as forward foreign currency purchases/sales, swaps, options and futures are classified "trading purposes" in accordance with the Turkish Accounting Standard 39 ("TAS 39") "Financial Instruments: Recognition and Measurement". Derivatives are initially recognized at their purchase costs including the transaction costs. Subsequently, the derivative transactions are measured at their fair values and recorded on the balance sheet under "derivative financial assets held for trading" or "derivative financial liabilities held for trading", respectively. Subsequent fair value changes for trading derivatives are recorded under statement of profit or loss. Additionally, contractual value of derivatives are recorded to off balance sheet accounts.

2.2.9 Foreign currency transactions

Income and expenses from transactions in foreign currencies have been translated into Turkish Lira ("TL") at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from conversion of foreign currency items have been included in the statement of profit or loss.

The foreign exchange rates used by the Company at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
US Dollar	2.9076	2.3189
Euro	3.1776	2.8207
Great Britain Pound	4.3007	3.5961

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2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Summary of significant accounting policies (continued)

2.2.10 Earnings/Loss per share

Earnings/Loss per share is calculated by dividing net income/loss for the period by the weighted average number of shares of the Company during the period. Weighted average number of shares, is the sum of the number of ordinary shares at the beginning of the period and number of shares recalled or issued during the period, multiplied by a time-weight factor.

2.2.11 Events after the reporting period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. In accordance with Turkish Accounting Standard 10, “Events after the Reporting Period” (TAS 10), if there occur events that provide evidence of conditions that existed at the end of the reporting period, they are adjusted in the financial statements. If the events are indicative of conditions that arose after the reporting period, they are disclosed in the notes to the financial statements.

2.2.12 Provisions, commitments and contingencies

In accordance with the Turkish Accounting Standard 37 (“TAS 37”), “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Contingent assets are disclosed in the notes and not recognized unless they are realized.

2.2.13 Changes in accounting estimates and errors

In accordance with the Turkish Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (“TAS 8”) the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Company in the current year.

2.2.14 Leasing transactions

Finance Lease

Finance lease is the transfer of the all risks and benefits related to the ownership of the assets to the lessee in accordance with a finance lease agreement. Leased assets are presented by the lower of present value of the minimum lease payables as of the reporting date and the fair value of the assets less accumulated depreciation and impairment costs in the financial statements. The lease payables decrease by the payments of the principal and the interest payments are recorded in the statement of profit or loss as an expense.

Operational Lease

Operational lease transactions are recognized in the statement of profit or loss on accrual basis.

2.2.15 Related parties

In accordance with the Turkish Accounting Standard (“TAS 24”) “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

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2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Summary of significant accounting policies (continued)

2.2.16 Taxes on income

Corporate tax

Taxes on income comprise current tax and the change in the deferred taxes. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred Taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

According to the Turkish Accounting Standard 12 (“TAS 12”) “Income Taxes”, deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to extend that it is no longer probable that the related tax benefit will be realized.

2.2.17 Employee benefits

In accordance with the existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Those payments are calculated with basis of taking the upper limit of severance payment at the balance sheet date. Turkish Ministry of Labor and Social Security has announced the upper limit of severance payment as full TL 3,541.37 for the related period (31 December 2014: full TL 3,438.22).

Reserve for Severance Payments

In accordance with the “Turkish Accounting Standard 19 (“TAS 19”) “Employee Benefits”, the Company calculated the severance pay liability incurred due to retirement of its employees by discounting the future liabilities to their present values, by using a statistical method and reflected to the financial statements. The main assumptions used are as follows:

	31 December 2015	31 December 2014
Net Discount Rate	10,70%	8,10%
Interest Rate	5,0%	5,0%
Expected Severance Payment Rate	100%	100%

Retirement Plan

The Company does not have any retirement plans.

Short-term employment benefits

In accordance with TAS 19 “Employee Benefits”, the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements.

2.2.18 Segment reporting

Since the Company does not have reportable segments whose performance is monitored separately by the Company’s decision maker, segment information is not considered necessary.

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2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

2.2.19 Statement of cash flows

The Company prepares statement of cash flows to inform users of financial statements about changes in net assets and ability to direct financial structure, amounts and timing of cash flows according to changing situations.

In the statement of cash flows, current period cash flows are grouped according to operating, financing, and investing activities. Operating cash flows are cash flows resulting from activities in scope of the Company's main operating scope. Cash flows related to investing activities are cash flows resulting from investing activities (fixed investments and financial investments) of the Company. Cash flows related to financing activities comprise of funds used in financing activities of the Company and their repayments.

Cash and cash equivalents that are basis for the statement of cash flows for the years ended 31 December 2015 and 31 December 2014 are as follows;

	31 December 2015	31 December 2014
Cash at Banks (less than three months)	132,454	99,869
Accrued Interest	165	66
Restricted Cash ^(*)	(14,120)	(11,794)
Total	118,499	88,141

^(*) As at 31 December 2015, the Company's accounts at U.S Bank and Istanbul Takas and Saklama Bankası A.Ş. ("Takasbank") have been restricted amounting to TL 1,392 in connection with Overseas Private Investment Corporation ("OPIC") loan (31 December 2014: 1,110). TL 12,728 has been restricted in the Central Bank reserves (31 December 2014: 10,684).

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3 CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 31 December 2014, the details of the cash and cash equivalents are as follows.

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Central Bank of Turkey	1	12,731	1	10,826
Total	1	12,731	1	10,826

Required Reserve Ratios: Finance companies used after 4 October 2013 over the amount of the liability for loans is calculated according to the original term foreign currency TL 12,728 from the account balance is all about (31 December 2014: TL 10,684).

- a) Liabilities denominated in Turkish Lira
 - 1) up to 1 year (1 year included) is 11,5%
 - 2) up to 3 years (3 year included) is 8%
 - 3) longer than 3 years is 5%
- b) Liabilities denominated in Foreign Currency
 - 1) up to 1 year (1 year included) is 25%
 - 2) up to 2 year (2 year included) is 20%
 - 3) up to 3 years (3 year included) is 15%
 - 4) up to 5 years (5 year included) is 7%
 - 5) longer than 5 years is 5%
- c) As at 28/08/2015, liabilities denominated in Foreign Currency
 - 1) up to 1 year (1 year included) is 20%,
 - 2) up to 2 year (2 year included) is 14%,
 - 3) up to 3 years (3 year included) is 8%,
 - 4) up to 5 years (5 year included) is 7%,
 - 5) longer than 5 years is 6%,

Şeker Mortgage Finansman Anonim Şirketi

Notes to the Financial Statements

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4 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets At Fair Value Through P/L

Movements of financing loss classified as fair value through profit / loss financial assets during the period are as follows:

	31 December 2015	31 December 2014
Opening Balance	326,484	185,555
Additions (+)	111,784	155,313
Change in interest rates (*)	(8,299)	12,136
Change in credit risk (**)	(2,129)	8,807
Impairment provision	(388)	(365)
Collections (-)	(56,379)	(34,962)
Net Balance	371,073	326,484

(*) Change in interest rates shows the effect of TRLIBOR (basic interest rate) difference on loans at fair value through profit and loss between two periods.

(**) Impact of credit risk and prepayment risk; this value shows the change in the fair value of the expected cash flows from the mortgages that are classified as subject to fair value valuation as of 31 December 2015. The difference between (a) the benchmark interest rate and (b) the prepayment risk alongside the credit risk is expressed as single rate is used to augment the current yield curve for configuring the impact on net present value of those cash flows.

As of 31 December 2015, loans amounting to TL 371,073 (31 December 2014: TL 326,484) based on fair value method which are classified as financial assets at fair value through profit and loss, have discounted value of TL 365,241 by using effective interest rate (31 December 2014: TL 309,836).

As at 31 December 2015, "Fair Value Through Profit / Loss Financial Assets" consist of loans under follow-up amounting to TL 4,495 (31 December 2014: TL 2,394) and allowance for possible loan losses amounting to TL 857 (31 December 2014: TL 469). As at 31 December 2015 mortgages amounting to TL 5,523 are taken as collateral against the doubtful financing loans (31 December 2014: TL 2,994).

Derivative financial assets held for trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

As at 31 December 2015 and 31 December 2014, details of derivative financial assets held for trading are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Swap purchase/sale transactions	82,226	241	33,892	4,057
Total	82,226	241	33,892	4,057

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5 BANKS

As at 31 December 2015 and 31 December 2014, the details of the banks are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Bank				
-Demand Deposits	522	1,391	1,537	1,110
-Time Deposits	7,420	110,554	24,859	61,602
Total	7,942	111,945	26,396	62,712

As at 31 December 2015, the Company's accounts at U.S Bank and Istanbul Takas and Saklama Bankası A.Ş. ("Takasbank") have been restricted amounting to TL 1,392 in connection with Overseas Private Investment Corporation ("OPIC") loan (31 December 2014: 1,110).

As at 31 December 2015, interest rates applied for time deposits in TL is 10.50% with a maturity of 4 days, in USD is 1.75%-2.00% with a maturity of 4-25 days, in EUR is 1.75% - 2.00% with a maturity of 11-60 days (31 December 2014: interest rates applied for time deposits in TL is 8.60%- 10.75% with a maturity of 2-18 days, in USD is 2.00% - 2.40% with a maturity of 2 - 36 days, in EUR is 1.2% - 2.6% with a maturity of 2-42 days).

6 FINANCING LOANS

As at 31 December 2015 and 31 December 2014, details of financing loans are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Mortgage loans-TL (*)	50,902	-	62,818	-
Financing loans at fair value through profit or loss	371,073	-	326,484	-
Total	421,975	-	389,302	-

(*)TL 333,029 of mortgage loans has been put into the possession at OPIC in accordance with the loan agreement (31 December 2014: TL 346,555).

As at 31 December 2015 there is no foreign currency indexed financing loan (31 December 2014: None).

The Company received collateral for mortgage loans amounting TL 830,655. Details of collaterals received is stated in note 26.1 (31 December 2014: TL 572,669).

7 RECEIVABLES AT FOLLOW-UP

As at 31 December 2015 and 31 December 2014, loans under follow-up and allowance for possible loan losses are as follows:

	31 December 2015	31 December 2014
Loans under follow-up	522	831
Less: Allowance for possible loan losses	(177)	(173)
Doubtful receivables, net	345	658

(*) As at 31 December 2015, mortgages amounting to TL 840 are taken as collateral against the doubtful financing loans (31 December 2014: TL 985).

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7 RECEIVABLES AT FOLLOW-UP *(continued)*

As at 31 December 2015 and 31 December 2014, delays in doubtful financing loans and the allocation of specific provisions are shown below:

	31 December 2015		31 December 2014	
	Loans under follow-up	Allowance	Loans under follow-up	Allowance
Up to 90 Days	-	-	-	-
90 – 180 Days	-	-	229	14
180 – 360 Days	-	-	64	9
360 Days and Over	522	177	538	150
Total	522	177	831	173

8 TANGIBLE ASSETS

31 December 2015	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balance at 1 January 2014	305	156	461
Additions	10	-	10
Closing balance at 31 December 2015	315	156	471
Accumulated depreciation			
Opening balance at 1 January 2015	(251)	(156)	(407)
Depreciation for the period	(27)	-	(27)
Closing balance at 31 December 2015	(278)	(156)	(434)
Net carrying amounts at 31 December 2015	37	-	37
31 December 2014	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balance at 1 January 2014	300	156	456
Additions	5	-	5
Closing balance at 31 December 2014	305	156	461
Accumulated depreciation			
Opening balance at 1 January 2014	(211)	(156)	(367)
Depreciation for the period	(40)	-	(40)
Closing balance at 31 December 2014	(251)	(156)	(407)
Net carrying amounts at 31 December 2014	54	-	54

As at 31 December 2015 and 31 December 2014, there is no restriction on the tangible assets of the Company.

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9 INTANGIBLE ASSETS

31 December 2015	Licenses and Software	Total
Cost		
Beginning Balance, 1 January 2015	2,092	2,092
Additions	75	75
Ending Balance, 31 December 2015	2,167	2,167
Accumulated Amortization		
Beginning Balance, 1 January 2015	(1,457)	(1,457)
Current period amortization	(243)	(243)
Ending Balance, 31 December 2015	(1,700)	(1,700)
Net carrying amount, 31 December 2015	467	467
31 December 2014	Licenses and Software	Total
Cost		
Beginning Balance, 1 January 2014	1,924	1,924
Additions	169	169
Ending Balance, 31 December 2014	2,093	2,093
Accumulated Amortization		
Beginning Balance, 1 January 2014	(1,156)	(1,156)
Current period amortization	(302)	(302)
Ending Balance, 31 December 2014	(1,458)	(1,458)
Net carrying amount, 31 December 2014	635	635

As at 31 December 2015 and 31 December 2014 the Company does not have any internally generated intangible asset.

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10 DEFERRED TAX ASSET/ LIABILITY

The temporary differences attributable to the deferred tax assets and liabilities as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	Asset		Liabilities		Net	
Difference between carrying value and tax base of tangible and intangible assets	-	-	(23)	(38)	(23)	(38)
Derivative financial instruments	152	25	(16,493)	(7,590)	(16,341)	(7,565)
Provision for employee termination benefits	35	28	-	-	35	28
Provision for vacation liability	11	10	-	-	11	10
Provision for unrecorded liabilities	1,956	1,165	-	-	1,956	1,165
Doubtful receivable provision	181	128	-	-	181	128
Effective interest method difference of interest accruals	-	-	(1)	(4)	(1)	(4)
Financing loans at fair value through profit or loss	-	-	(2,875)	(4,181)	(2,875)	(4,181)
File charges collected in advance	105	148	-	-	105	148
Tax losses (*)	17,607	8,874	-	-	17,607	8,874
Total	20,047	10,378	(19,392)	(11,813)	655	(1,435)

(*) Tax losses can be carried forward to offset with future taxable income as following maturities:

	Tax Losses	Final Utilization Date
2011	840	31 December 2016
2012	2,590	31 December 2017
2013	27,704	31 December 2018
2014	13,517	31 December 2019
2015	43,385	31 December 2020
	88,036	

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11 PREPAID EXPENSES AND OTHER RECEIVABLES

As at 31 December 2015 and 31 December 2014 prepaid expenses are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Prepaid expenses (*)	126	1,163	205	982
Total	126	1,163	205	982

(*) As at 31 December 2015, TL 1,163 of prepaid expenses consists of prepaid commissions to OPIC Loan (31 December 2014: TL 982).

As at 31 December 2015 and 31 December 2014 other receivables are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Deposits given	-	94	-	75
Collaterals on swap transactions	-	4,862	-	-
Enforced buildings	462	-	388	-
Resource utilization support fund (RUSF)	7	-	-	-
Others (**)	419	-	407	-
Total	888	4,956	795	75

(**) As at 31 December 2015 and 31 December 2014, "Other" contains TL 401 of receivable from İstanbul Finans Danışmanlık Limited Şirketi. The Company made provision for the receivable in 2009 and this provision has been presented at "Other Provisions" (31 December 2014: TL 401).

Şeker Mortgage Finansman Anonim Şirketi**Notes to the Financial Statements****As At and For The Year Ended 31 December 2015***(Currency: Thousands of Turkish Lira (TL) unless otherwise stated)***12 DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**

As at 31 December 2015 and 31 December 2014, derivative financial liabilities held for trading are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Swap purchase/sales transaction (*)	-	759	-	125
Total	-	759	-	125

(*) As at 31 December 2015, the Company's swap purchase/sale transactions' maturities are between 7 January 2016 – 22 January 2019.

13 BORROWINGS AND SUBORDINATED LOANS

As at 31 December 2015 and 31 December 2014, details of the borrowings and subordinated loans are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Borrowings				
Long-term bank borrowings	-	509,577	-	430,153
Subordinated loans				
Long-term subordinated loans	23,603	-	23,593	-
Total	23,603	509,577	23,593	430,153

	31 December 2015 TL Equivalent				31 December 2014 TL Equivalent			
	Original Currency	Interest Rate	Less than 1 year	1 year and more	Original Currency	Interest Rate	Less than 1 year	1 year and more
TL	23,603	6M TRLIBOR+6	-	23,603	23,593	6M TRLIBOR+6	-	23,593
US Dollar (Thousand)	175,257	1.5%+US Treasury Rate	-	509,577	185,498	1.5%+US Treasury Rate	-	430,153
Total				533,180				453,746

The Company has signed OPIC loan agreement at 10 May 2011 in order to provide long-term consumer financing loans which is non-existent market in Turkey. By OPIC loans, the Company is provided a limit of USD 200 million in 8 years. According to agreement, the Company provides in terms of collateral to OPIC and keep them in alienation custody account of Takasbank.

The Company has received USD 200,000 which is the first six part of OPIC loan, at 25 June 2014. The Company pays interest expense of loans for each part of OPIC loan, after six months from the loan's receiving date. The interest of loan is weekly variable and maturity of loan is 15 June 2034. The Company pays commissions which commission rates are determined at loan agreement for this period.

The Company borrowed TL 23,088 thousand from Şekerbank T.A.Ş. as subordinated loan in accordance with the Article of 11 of the Regulation on Establishment and Activities of Financial Leasing, Factoring and Financing Companies.

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14 OTHER PAYABLES

As at 31 December 2015 and 31 December 2014, other payables are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Miscellaneous payables (*)	235	485	127	508
Liquidity reserve account(**)	-	1,392	-	1,110
Guarantees received for derivative transactions	-	83,380	-	37,938
Total	235	85,257	127	39,556

(*) Foreign currency of miscellaneous payables, consist of commission accruals on OPIC loans.

(**) As at 31 December 2015, in accordance with the OPIC Loan Agreement, the Company allocated the commission fees that are paid by U.S. Bank filed as liquidity reserve.

15 DEFERRED INCOME

As at 31 December 2015 and 31 December 2014, deferred income are comprised of the following:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Advance fees and commission (*)	525	-	737	-
Total	525	-	737	-

(*) The Company records income from interest, fees and commissions using the effective interest method which are collected in advance from loans in accordance with the maturity of the loan.

16 TAX LIABILITIES

As at 31 December 2015 and 31 December 2014, tax liabilities are comprised of the following:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Income taxes payable	94	-	92	-
Premium payables	72	-	52	-
VAT payable	2	-	2	-
Stamp tax duties	15	-	20	-
Total	183	-	166	-

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17 PROVISIONS

17.1 Reserves for Employee Benefits

As at 31 December 2015 and 31 December 2014, reserves for employee benefits are comprised of the following:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Vacation pay liability	55	-	51	-
Reserve for severance payments	177	-	142	-
Total	232	-	193	-

For the years ended 31 December 2015 and 31 December 2014, movements in reserve for employee severance indemnity are as follows:

	31 December 2015	31 December 2014
Balance at the beginning of the period	142	119
Service cost	58	96
Interest cost	11	11
Actuarial (loss) / gain	(11)	(14)
Severance pay liability	(23)	(70)
Balance at the end of the period	177	142

Unused Vacation

The movements of the provision for unused vacation are as follows:

	31 December 2015	31 December 2014
Balance at the beginning of the period	51	65
Increase in current period	4	10
Paid / used in the period	-	(24)
Balance at the end of the period	55	51

17.2 Other Provisions

As at 31 December 2015 and 31 December 2014, other provisions are comprised of the following:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Provision for receivables (Note 11)	401	-	401	-
Provision for expense returns	1,216	-	1,290	-
Expense provisions (*)	20	-	280	-
Total	1,637	-	1,971	-

(*) As at 31 December 2015, expense provisions amount to TL 20 (As at 31 December 2014, TL 20: other expense provisions and TL 260: bonus provisions).

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18 SHAREHOLDERS' EQUITY

18.1 Paid-in Capital

As at 31 December 2015 and 31 December 2014, the capital structure of the Company is as follows:

	31 December 2015		31 December 2014	
	Share (%)	Share Amount	Share (%)	Share Amount
Şekerbank T.A.Ş.	62	16,200	62	16,200
İpotek Financing S.A.	38	9,800	38	9,800
Şeker Yatırım Menkul Değerler A.Ş.	<1	-	<1	-
Şeker Finansal Kiralama A.Ş.	<1	-	<1	-
Şeker Faktoring A.Ş.	<1	-	<1	-
Total	100	26,000	100	26,000

As at 31 December 2015, the issued capital of the Company is TL 26,000 comprising of 26.000 registered units (31 December 2014: 26.000) with a nominal value of TL 1 each.

The Company does not have any preference shareholders.

18.2 Profit Reserves

The profit reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

As at 31 December 2015, nature of the Company's profit reserves is as follows:

	31 December 2015	31 December 2014
Legal Reserves	614	304
- I. Disposal Legal Reserve (TTC 466/1)	614	304
Extraordinary Reserves	6,096	204
-Reserves Allocated by the General Assembly	6,096	1,818
-Accumulated Losses	-	(1,614)
Total	6,710	508

18.3 Retained Earnings

As at 31 December 2015 and 31 December 2014, there are no prior period losses except those reclassified to extraordinary reserves.

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19 OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, details of the operating income are as follows:

	31 December 2015	31 December 2014
Interest income from financing loans	44,273	33,293
Fees and commissions received from financing loans	2,129	4,147
Financial assets at fair value through profit or loss	(10,816)	16,076
Total	35,586	53,516

20 OPERATING EXPENSES

20.1 Personnel Expenses

For the years ended 31 December 2015 and 31 December 2014, personnel expenses comprised of the following:

	31 December 2015	31 December 2014
Wages and salaries	3,214	3,321
Compulsory social security contributions	333	357
Health expenses	50	87
Food and transport expenses	94	119
Other	83	176
Total	3,774	4,060

20.2 Administrative Expenses

For the years ended 31 December 2015 and 31 December 2014, administrative expenses comprised of the following:

	31 December 2015	31 December 2014
Mortgage and expertise expenses	923	1,509
Other provisions	824	1,570
Financing loan intermediary expense	691	902
Advisory and consultancy expenses	519	443
Computer utilization expenses	332	217
Amortization and depreciation expenses	270	342
Notary expenses	264	617
Rent expenses	233	202
Tax and other legal expenses	220	334
Communication expenses	130	173
Legal institutions expense paid membership	126	145
Vehicle rent expenses	105	190
Fuel expenses	59	106
Subscription fees	51	72
Cleaning expenses	45	40
Stationary expenses	40	48
Advertising expenses	13	95
Vacation pay liability	4	10
Legal expenses	-	245
Other	120	126
Total	4,969	7,386

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21 OTHER OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, other operating income comprised of the following:

	31 December 2015	31 December 2014
Derivative gains	92,442	31,437
Foreign exchange gain	22,215	38,198
Interest income from time deposits	3,868	2,267
Adjustments to prior year's expenditures	382	154
Insurance commission income	-	129
Other	56	2
Total	118,963	72,187

22 OTHER OPERATING EXPENSE

For the years ended 31 December 2015 and 31 December 2014, other operating expense comprised of the following:

	31 December 2015	31 December 2014
Foreign exchange loss	119,583	68,538
Derivative loss	23,010	26,007
Others	-	410
Total	142,593	94,955

23 TAXES ON INCOME

Statutory income is subject to 20% corporate tax.

The withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%.

The transfer pricing provisions has been stated under the Article 13 of "Corporate Tax Law" with the heading of "Disguised Income Distribution via Transfer Pricing". The General Communiqué on disguised profit distribution via "Transfer Pricing" dated 18 November 2007 sets details about implementation.

If taxpayers are involved in buying or selling activities of goods, services or products that are not priced according to the counterpart principle, with related institutions (people), then it will be thought that related income is distributed disguisedly via transfer pricing. That kind of disguised income distribution via transfer pricing will not be deducted from corporate tax calculation.

The prepaid taxes are calculated over income of three month period by 20%. Advance corporate income tax return must be filed by the 14th of the second month following the quarter end and is payable on the 17th of the same month. Temporary tax paid during the year is valid for that year and the prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. If there is prepaid temporary tax despite the deduction, this amount can be collected back or deducted from another financial liability to the state.

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23 TAXES ON INCOME (continued)

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years.

For the years ended 31 December 2015 and 31 December 2014, tax items in the statement of profit or loss comprised of the following:

	31 December 2015	31 December 2014
Current tax expense	-	-
Deferred tax income/(expense)	2,091	(1,541)
Total tax income/(expense)	2,091	(1,541)

	31 December 2015	% Rate	31 December 2014	% Rate
Profit/ (Loss) before tax	(10,571)		7,743	
Statutory tax rate		20		20
Income tax using the statutory tax rate	2,114	(20.00)	(1,549)	(20.00)
Non-deductible expenses	(1)	(0.00)	(2)	(0.00)
Tax exempt income	-		-	
Others	(22)	(0.00)	10	(0.00)
Income tax	2,091	(20.00)	(1,541)	(20.00)

The movement of corporate taxes payable is as follows:

	31 December 2015	31 December 2014
Current tax liability	-	-
Prepaid taxes	-	-
Corporate tax payable/(Prepaid taxes)	-	-

24 EARNINGS / (LOSSES) PER SHARE

According to TAS 33 "Earning per Share", companies which have unlisted shares are not obliged to disclose earnings per share. Since the Company's shares are not listed in a stock exchange, earnings per share are not calculated.

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25 RELATED PARTY DISCLOSURES

For the years ended 31 December 2015 and 31 December 2014, the transactions with the related parties are as follows:

	31 December 2015	31 December 2014
Interest and commissions expense		
Şekerbank T.A.Ş - interest expense	(3,983)	(3,863)
Şekerbank T.A.Ş- commission expenses	(558)	(753)
Şeker Yatırım Menkul Değerler AŞ- commission expenses	-	(10)
	(4,541)	(4,626)
Interest and commission income		
Şekerbank T.A.Ş - interest income	3,191	1,345
SBN Sigorta A.Ş.- commission income – Insurance Agency	-	129
	3,191	1,474
Derivatives		
Şekerbank T.A.Ş.- Derivative gain	92,441	29,194
Şekerbank T.A.Ş.- Derivative loss	(23,009)	(23,131)
	69,432	6,063
Other Service Expenses		
Sekar Oto Kiralama Tur. Ltd. Şti.- Vehicle rent expense	(105)	(190)
Desmer Bilgi ve İletişim Hiz.Tic.A.Ş. – Call center expense	(50)	(50)
	(155)	(240)
Receivables from Related Parties:		
	31 December 2015	31 December 2014
Banks - Şekerbank T.A.Ş.	114,027	73,530
Guarantees given for derivative transactions - Şekerbank T.A.Ş.	4,862	-
Miscellaneous Receivables – SBN Sigorta	4	-
Total	118,893	73,530
Miscellaneous Payables:		
	31 December 2015	31 December 2014
Şekerbank T.A.Ş.-Guarantees received for derivative transactions	83,380	37,938
Desmer Bilgi Ve İletişim Hiz.Tic.AŞ	4	4
SBN Sigorta A.Ş.	1	20
	83,385	37,962

For the year ended 31 December 2015, the Company's key management and members of the Board of Directors received remuneration and fees amounting TL 1,954 (31 December 2014: TL 1,599). This amount is comprised of salary and premiums.

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25 RELATED PARTY DISCLOSURES (continued)

Off-Balance Sheet Accounts:

	31 December 2015	31 December 2014
<i>Currency swaps purchase/sales</i>		
Şekerbank T.A.Ş.	384,529	358,812
<i>Receivables from guarantees given</i>		
Şekerbank T.A.Ş.	4,322	-
Total	388,851	358,812

26 CONTINGENT ASSETS AND LIABILITIES

26.1 Collaterals Received

As at 31 December 2015 and 31 December 2014, collaterals received comprised of the following:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Real estate mortgage	686,453	-	446,110	-
Surety	144,202	-	125,052	-
Other	-	-	1,507	-
Total	830,655	-	572,669	-

26.2 Collaterals Given

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Transfer of claim (*)	333,029	-	346,555	-
Collaterals given for derivative transactions	-	4,322	-	-
Total	333,029	4,322	346,555	-

(*) Mortgage loans amounting to TL 333,029 has assigned to OPIC in accordance with the loan agreement (31 December 2014: TL 346,555).

26.4 Swap Purchases/Sales

As at 31 December 2015 nd 31 December 2014, swap purchases/sales comprised of the following:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Swap purchases	-	461,916	-	393,663
Swap sales	384,529	-	358,812	-
Total	384,529	461,916	358,812	393,663

The longest maturity of swap purchases and sales is January 2019 (31 December 2014: September 2017).

27 FINANCIAL RISK MANAGEMENT

27.1 Financial Risk Management Policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of above risks, the Company's objectives, policies and processes for measuring and managing risks.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

27.1.1 Credit Risk

The Company is exposed to credit risk through its main activity which is to provide housing loan and financing operations. The Company's Credit Allocation and Collection/Operation Department is responsible for management of credit risk. Risk Management Department follows activities of these two departments and reports to Risk Committee periodically. By its loan policy, the Company demands guarantees for its financing loans. Loan relationship does not start with customers who do not satisfy the necessary loan financing conditions. All loan demands are assessed within the framework of Credit Committee approval authorizations. Related Credit Committee collects the loan amount demands that are within their authorization extent, assessed them and finalizes them. The Company uses a application and scoring module of an international institution that is adapted to mortgage loans. This module works integrated with Bureau of Credit Registration, Central Bank and Identity Sharing System.

The Company's maximum credit risk is equal to carrying value of each financial asset.

27.1.2 Liquidity Risk

Liquidity risk arises from the Company's financing of its operations. This risk comprises of the risk that risk of not to finance its assets at proper maturity and rates and risk of not to liquidate an asset in a proper price and time range. The Company meets it financing necessity through banks and other financial institutions. The Company assesses its liquidity risk consistently to determine changes in financing sources that are necessary to reach its goals.

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27 FINANCIAL RISK MANAGEMENT (continued)

27.1 Financial Risk Management Policies (continued)

27.1.3 Market Risk

(i) Currency Risk

The Company is exposed to currency risk through operations it makes in foreign currencies (such as financing operations and bank borrowings). Since the Company prepares its financial statements in TL basis, those tables are affected from the fluctuations of foreign currencies against TL. The Company makes derivative transactions to avoid foreign currency risk.

(ii) Interest rate risk

The Company's is exposed to the interest rate risk to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different time periods or in different amounts. In addition the Company is sensitive to the interest rate fluctuations in the market because of its floating rate (Libor and US Treasury Rate) borrowings. The objective of the Company's risk management operations is to optimize the return on risk by taking the market interest rates into account.

The interest rate sensitivity analysis of the assets, liabilities and off balance sheet items are evaluated weekly in the asset liability committee (ALCO) meetings and monthly in the risk committee meetings by taking the current market conditions at those dates into consideration.

The Company uses Value at Risk (VaR) method, standard method, and asset/liability risk measurement method to measure the interest rate risk. Asser/liability risk measurement method includes daily sensitivity analysis, duration and gap analysis, and the calculation of net foreign currency position to equity ratio. With daily VaR analysis the Company measures the interest rate risk on the financial assets and off balance positions. The related analysis is supported by the scenario analysis and stress tests.

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures

27.2.1 Credit Risk

As at 31 December 2015 and 31 December 2014, the assets of the Company that are subject to credit risk are as follows:

	31 December 2015	31 December 2014
Banks	119,887	89,108
Financing loans	421,975	389,302
Total	541,862	478,410

As at 31 December 2015 and 31 December 2014, mortgage loans with exceeding maturity but not yet impaired is shown below and has no restructured loans:

	31 December 2015	31 December 2014
Overdue 1-30 Days	30,522	25,895
Overdue 1-2 Months	11,996	7,592
Overdue 2-3 Months	8,395	3,789
	50,913	37,276
Collateralized	50,913	37,276
Total	50,913	37,276

The Company's financing loan risk ratings are as follows:

Credit Risk	31 December 2015	%	31 December 2014	%
Low	421,975	100	389,302	100
Normal	-	-	-	-
High	-	-	-	-
Total Credit	421,975	100	389,302	100

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.2 Liquidity Risk

As at 31 December 2015 and 31 December 2014, maturity profiles of the assets and liabilities of the Company are as follows:

	31 December 2015						Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed ^(*)	
Assets							
Cash and cash equivalents	12,732	-	-	-	-	-	12,732
Banks	79,354	40,533	-	-	-	-	119,887
Derivatives financial assets held for trading	82,467	-	-	-	-	-	82,467
Financing loans (**)	6,272	6,028	28,096	155,245	226,679	-	422,320
Other assets	4,430	-	-	-	-	4,486	8,916
Total	185,255	46,561	28,096	155,245	226,679	4,486	646,322
Liabilities							
Borrowings (***)	2,555	4,970	22,366	119,286	384,003	-	533,180
Derivatives financial liabilities held for trading	759	-	-	-	-	-	759
Miscellaneous payables	85,492	-	-	-	-	-	85,492
Other liabilities	8	7	35	193	282	-	525
Provisions	39	-	-	-	-	1,830	1,869
Tax and other liabilities	183	-	-	-	-	-	183
Other liabilities (deferred tax liabilities)	50	-	-	-	-	-	50
Total	89,086	4,977	22,401	119,479	384,285	1,830	622,058
Liquidity (gap)/surplus	96,169	41,584	5,695	35,766	(157,606)	2,656	24,264

(*) Amounts at deferred tax asset, tangible and intangible assets and prepaid expenses which are non-liquid assets, are presented in "Other Assets" column.

(**) Loans and other receivables amounting to TL 371,073 have been included in "Financial Assets at Fair Value Through Profit and Loss" (31 December 2014: TL 326,484) in the financial statements.

(***) Borrowings amounting to TL 23,603 have been shown as "Subordinated Loans" at Statement of Financial Position (31 December 2014: TL 23,593).

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.2 Liquidity Risk

	31 December 2014						Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed ^(*)	
Assets							
Cash and cash equivalents	143	-	-	-	-	10,684	10,827
Banks	79,373	9,735	-	-	-	-	89,108
Derivatives financial assets held for trading	37,949	-	-	-	-	-	37,949
Financing loans(**)	4,973	5,134	23,983	149,693	206,177	-	389,960
Other assets (*)	-	-	-	-	-	3,129	3,129
Total	122,438	14,869	23,983	149,693	206,177	13,813	530,973
Liabilities							
Borrowings	2,004	3,964	17,838	95,134	334,806	-	453,746
Derivatives financial liabilities held for trading	125	-	-	-	-	-	125
Miscellaneous payables	39,683	-	-	-	-	-	39,683
Other liabilities	9	10	45	283	390	-	737
Provisions	334	-	-	-	-	1,830	2,164
Tax and other liabilities	166	-	-	-	-	-	166
Other Liabilities (deferred tax liabilities)	183	-	-	-	-	1,435	1,618
Total	42,504	3,974	17,883	95,417	335,196	3,265	498,239
Liquidity (gap)/surplus	79,934	10,895	6,100	54,276	(129,019)	10,548	32,734

(*) Amounts at deferred tax asset, tangible and intangible assets and prepaid expenses which are non-liquid assets, are presented in "Other Assets" column.

(**) Loans and other receivables amounting to TL 326,484 have been included in "Financial Assets at Fair Value Through Profit and Loss" in the financial statements.

(***) Borrowings amounting to TL 23,593 have been shown as "Subordinated Loans" at Statement of Financial Position.

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.2 Liquidity Risk

The profiles of the residual contractual maturities of the liabilities are as follows:

31 December 2015	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over
Borrowings	533,180	611,822	516	3,167	6,463	29,022	149,551	423,103
Miscellaneous payables	85,492	85,492	-	85,492	-	-	-	-
Other liabilities	525	525	-	8	7	35	193	282
Total	619,197	697,839	516	88,667	6,470	29,057	149,744	423,385

31 December 2014	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over
Borrowings	453,746	516,635	505	2,533	5,074	22,947	118,188	367,388
Miscellaneous payables	39,683	39,683	-	39,683	-	-	-	-
Other liabilities	737	737	-	9	10	45	283	390
Total	494,166	557,055	505	42,225	5,084	22,992	118,471	367,778

The table above shows the nearest undiscounted cash flows of the financial liabilities of the Company.

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.3 Market Risk

Currency Risk

As at 31 December 2015 and 31 December 2014, profiles of the foreign currency assets and liabilities of the Company are as shown below:

	31 December 2015	31 December 2014
	(TL Amount)	(TL Amount)
A. Foreign currency monetary assets	131,036	78,652
B. Foreign currency monetary liabilities	(595,593)	(469,834)
C. Derivatives	461,916	393,663
Net foreign currency position (A+B+C)	(2,641)	2,481

31 December 2015	US Dollar	Euro	Other	Total
Assets				
Cash and cash equivalents	12,731	-	-	12,731
Banks	33,186	78,759	-	111,945
Other assets	1,499	4,861	-	6,360
Total Assets	47,416	83,620	-	131,036
Liabilities				
Borrowings	509,577	-	-	509,577
Other liabilities	2,636	83,380	-	86,016
Total Liabilities	512,213	83,380	-	595,593
Net foreign currency balance sheet position	(464,797)	240	-	(464,557)
Derivative financial instruments long position	461,916	-	-	461,916
Derivative financial instruments short position	-	-	-	-
Total foreign currency position	(2,881)	240	-	(2,641)

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.3 Market Risk (continued)

Currency Risk (continued)

31 December 2014	US Dollar	Euro	Other	Total
Assets				
Cash and cash equivalents	10,826	-	-	10,826
Banks	24,560	38,152	-	62,712
Other Assets	5,114	-	-	5,114
Total Assets	40,500	38,152	-	78,652
Liabilities				
Borrowings	430,153	-	-	430,153
Other liabilities	1,672	38,009	-	39,681
Total Liabilities	431,825	38,009	-	469,834
Foreign currency balance sheet position	(391,325)	143	-	(391,182)
Derivative financial instruments long position	393,663	-	-	393,663
Derivative financial instruments short position	-	-	-	-
Total foreign currency position	2,338	143	-	2,481

Sensitivity Analysis

As at 31 December 2015 depreciation of TL by 10% against the other currencies would have increased the Company's profit before tax amounting TL 264 (31 December 2014: TL 248 decreased). As at 31 December 2015 appreciation of TL by 10% against the other currencies would have decreased the Company's profit before tax amounting TL 264 (31 December 2014: TL 248 increased). This analysis assumes that all other variables, as at 31 December 2015 and 31 December 2014 remain constant.

	Profit/(Loss)		Shareholders' Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
31 December 2015				
US Dollar	(288)	288	(288)	288
Euro	24	(24)	24	(24)
Total	(264)	264	(264)	264

	Profit/(Loss)		Shareholders' Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
31 December 2014				
US Dollar	234	(234)	234	(234)
Euro	14	(14)	14	(14)
Total	248	(248)	248	(248)

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.3 Market Risk (continued)

Interest rate risk

The Company's interest sensitive assets and liabilities are as follows:

Interest Position Table		
	31 December 2015	31 December 2014
Fixed interest rate financial instruments		
Financing loans	422,230	389,960
Banks-time deposits	119,887	89,108
Floating interest rate financial instruments		
Borrowings	(509,577)	(430,153)
Subordinated loans	(23,603)	(23,593)

The Company invests its cash investment securities or bank deposits depending on the current market condition. The interest bearing assets and liabilities of the Company based on the reprising dates are as follows:

31 December 2015							
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Without Interest	Total
Cash and cash equivalents	12,731	-	-	-	-	1	12,732
Banks	77,440	40,533	-	-	-	1,914	119,887
Financing loans	6,272	6,028	28,096	155,245	226,679	-	422,320
Total Assets	96,443	46,561	28,096	155,245	226,679	1,915	554,939
Borrowings	509,577	-	23,603	-	-	-	533,180
Total Liabilities	509,577	-	23,603	-	-	-	533,180
Long position in balance sheet	-	46,561	4,493	155,245	226,679	1,915	434,893
Short position in balance sheet	(413,134)	-	-	-	-	-	(413,134)
Long position in off- balance sheet	114,196	347,720	-	-	-	-	461,916
Short position in off- balance sheet	(110,009)	(119,625)	(42,560)	(112,335)	-	-	(384,529)
Interest Position	(408,947)	274,656	(38,067)	42,910	226,679	1,915	99,146

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.3 Market Risk (continued)

Interest rate risk (continued)

31 December 2014							
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Without Interest	Total
Assets							
Cash and cash equivalents	-	-	-	-	-	10,827	10,827
Banks	86,462	-	-	-	-	2,646	89,108
Financing loans	4,973	5,134	23,983	149,693	206,177	-	389,960
Total Assets	91,435	5,134	23,983	149,693	206,177	13,473	489,895
Liabilities							
Borrowings	430,153	-	23,593	-	-	-	453,746
Total Liabilities	430,153	-	23,593	-	-	-	453,746
Long position in balance sheet							
	-	5,134	390	149,693	206,177	13,473	374,867
Short position in balance sheet							
	(338,718)	-	-	-	-	-	(338,718)
Off-balance sheet							
Long position in off-balance sheet	70,690	322,973	-	-	-	-	393,663
Short position in off-balance sheet	(69,797)	(146,756)	(19,087)	(123,172)	-	-	(358,812)
Interest Position	(337,825)	181,351	(18,697)	26,521	206,177	13,473	71,000

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27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Risk Management Disclosures (continued)

27.2.3 Market Risk (continued)

Interest rate risk (continued)

Interest rate risk sensitivity

As at 31 December 2015 and 31 December 2014, assuming that all the other variables are fixed, when the interest rates decrease and increase 100 basis points (bp), the effect of the Company's interest position on the Company's net income and equity has been analyzed as follows:

Current Period	Statement of profit or loss		Shareholder's Equity (*)	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Financial Assets at Fair Value Through Profit or Loss	2,408	(2,408)	2,408	(2,408)
Variable rate financial assets	(6,732)	6,732	(6,732)	6,732
Variable rate financial liabilities	(71)	71	(71)	71
Total, net	(4,395)	4,395	(4,395)	4,395

Prior Period	Statement of profit or loss		Shareholder's Equity (*)	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Financial Assets at Fair Value Through Profit or Loss	(5,524)	5,524	(5,524)	5,524
Variable rate financial assets	2,699	(2,699)	2,699	(2,699)
Variable rate financial liabilities	(352)	352	(352)	352
Total, net	(3,177)	3,177	(3,177)	3,177

(*) Equity effect also includes the effects of profit or loss.

27.2.4 Capital Management

The Company's policy is to maintain a strong capital base and to maintain a balance between the indebtedness and equity in an effective way so as to increase its profit. The cost of equity and each other risk associated with equity items analyzed by the Company's management.

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28 FINANCIAL INSTRUMENTS

Fair values of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

As at 31 December 2015, same interest and maturity of financial instrument has been used to determine the estimated fair value fair value of financing loans and borrowings.

As at 31 December 2015 and 31 December 2014, fair values of financial instruments of the Company are as shown below:

	31 December 2015		31 December 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Financial Assets</i>				
Financing loans	421,975	423,521	389,302	391,750
Cash and cash equivalents	119,887	119,887	89,108	89,108
<i>Financial Liabilities</i>				
Borrowings	509,577	482,162	430,153	416,656
Subordinated loans	23,603	23,648	23,593	23,757

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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28 FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments (continued)

31 December 2015	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	82,467	-	82,467
Derivative financial liabilities held for trading	-	(759)	-	(759)
Financial Assets at Fair Value Through Profit or Loss	-	-	371,073	371,073
	-	81,708	371,073	452,781

31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	37,949	-	37,949
Derivative financial liabilities held for trading	-	(125)	-	(125)
Financial Assets at Fair Value Through Profit or Loss	-	-	326,484	326,484
	-	37,824	326,484	364,308

The Company uses (1) the benchmark treasury bond rates, (2) BRSA data of non-performing loans' share in total, (3) impact of prepayments on the portfolio and the spread for refinancing the existing mortgages; for evaluating the Level 3. The benchmark treasury bond rate is chosen in reference to the aggregate duration figure of the Company's mortgage receivables that is 5 years. The loss due to the non-performing loans' projected impact is 47 bps.

The Company foresees the influence of the structural component of prepayments (that is independent of the market mortgage rates) on the portfolio value through the impacts of prepaid mortgages on the expected cash flow and the fair value evaluation when the annual prepayment rate is 25 percent.

Refinance spread represents the impact of interest rate drops experienced due to decreases in the market mortgage rates and the Company's voluntary efforts to avoid prepayment of existing customers in the face of competitors' interest rates. The impact of these interest rate decreases on the fair value expressed as a single rate is 54 bps.

Current term transactions sheet (table) of the financing credits, which are classified as assets that their fair value variation is reflected to profit/loss, are explained in note 4.

Even if the Company assumes that fair value estimations are suitable, applying different methods and hypothesis may result in different measure valuations.

29 EVENTS AFTER THE REPORTING PERIOD

None.